

Message Text

CONFIDENTIAL

PAGE 01 LIMA 04479 062245Z

21

ACTION COME-00

INFO OCT-01 ARA-10 ISO-00 SP-03 AID-07 EB-05 NSC-04 RSC-01

CIEP-01 TRSE-00 SS-20 STR-04 OMB-01 CEA-01 CIAE-00

FRB-01 INR-10 NSAE-00 XMB-01 OPIC-01 LAB-02 SIL-01

L-03 AGR-03 DRC-01 /081 W
----- 058292

R 062206Z JUN 74

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 409

C O N F I D E N T I A L LIMA 4479

EO 11652 N/A

TAGS: ETRD, BEXP, PE

SUBJ: COMMERCE MINISTER QUESTIONS STRICT IMPORT
REGULATIONS

REFS: LIMA 4120, 4095, 4093, 3824, STATE 107357

1. SENIOR COMMERCE MINISTRY OFFICIAL INFORMED EMBASSY OFFICERS
IN STRICTEST CONFIDENCE JUNE 5 THAT COMMERCE MINISTER
GENERAL BARANDARIAN AND FINANCE MINISTER GENERAL MARCO DEL
PONT WILL MEET JUNE 10 AT FORMER'S REQUEST TO FULLY REVIEW
NEW 180-DAY IMPORT CREDIT REQUIREMENTS, INCLUDING ORIGINAL
JUSTIFICATION, IMPORT PROJECTIONS FOR BALANCE OF YEAR AND
ECONOMIC DISLOCATIONS CAUSED BY REGULATIONS. THEY WILL
THEN MAKE A DECISION WHETHER TO RETAIN, MODIFY OR OBOLISH
THE RESTRICTIONS.

2. COMMERCE OFFICIAL SAID HE IS PERSONALLY ORGANIZING THIS
MEETING AFTER LEARNING TO HIS DISMAY (LIMA 4095) THAT
NOT ONLY HAD REGULATIONS BEEN ADOPTED BUT THAT MINISTRY
OF ECONOMY AND FINANCE (MEF) HAD PUSHED THEM THROUGH
A MEETING OF BOARD FOR EXTERNAL TRANSACTIONS OF THE
PRIVATE SECTOR (BETPS) IN ABSENCE OF COMMERCE MINISTRY
REPRESENTATIVE WHO IS MEMBER AND NORMALLY ATTENDS. OFFICIAL
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LIMA 04479 062245Z

IMPLIED THAT DUE TO COMMERCE PRESSURE BETPS WILL ALLOW ALL

IMPORTS IN SUPPLY PIPELINE AS OF MAY 11 TO ENTER PERU. HE ALSO SAID BETPS IS TAKING OTHER UNSPECIFIED MEASURES TO EASE MORE SERIOUS PROBLEMS. HE EMPHASIZED THAT UNLESS MEF CAN DEMONSTRATE CLEAR NEED FOR MAINTENANCE OF PRESENT RESTRICTIONS, COMMERCE MINISTRY WILL PUSH FOR SUBSTANTIAL LIBERALIZATION. HE HAS ALSO DISCUSSED IMPOSITION OF REGULATIONS WITH LONG-TIME ASSOCIATE LUIS GUIULFO MEF VICE MINISTER, WHO WAS UNABLE TO PRESENT REASONED ARGUMENTS OR FACTS TO JUSTIFY THEM.

3. AT TECHNICAL LEVEL, KNOWLEDGEABLE BETPS OFFICIAL TOOK HARDER LINE WITH EMBASSY OFFICER JUNE 5, EMPHASIZING THAT NEW REGULATIONS ARE BASIC GOP POLICY, AND THAT ALTHOUGH SOME EXEMPTIONS WILL BE MADE, MAY 11 REGULATIONS ARE BEING APPLIED ACROSS THE BOARD. HE EXPLAINED THAT CONTRARY TO GENERAL BELIEF, GOP DID NOT HAVE ANY CONTROL OVER IMPORTS PURCHASED IN SIGHT TRANSACTIONS, A LOOPHOLE WHICH PERMITTED MASSIVE RUN ON FOREIGN EXCHANGE EARLIER THIS YEAR WHEN MAJOR PERUVIAN IMPORTERS STARTED STOCK-PILING BECAUSE OF WORLD-WIDE INFLATION AND FEAR OF DEVALUATION. ONLY WAY TO STOP HEMORRHAGE, HE SAID, WAS TO REQUIRE CREDIT FOR ALL IMPORTS, THEREBY FORCING EACH IMPORTER TO USE ONLY AMOUNT OF AUTHORIZED QUOTA. HE ACKNOWLEDGED THAT THERE HAS BEEN RESOUNDING CRITICISM FROM PRIVATE SECTOR, BUT AGREED THAT PIECE-MEAL CREDIT RESTRICTIONS WOULD BE INEFFECTIVE AND ONLY GENERAL MEASURE COULD CONTROL IMPORTS. HE ALSO MAINTAINED THAT NEW REGULATIONS WILL NOT BE INFLATIONARY, SINCE MONEY IMPORTERS WOULD HAVE OTHERWISE SPENT IMMEDIATELY ON IMPORTING GOODS CAN NOW BE INVESTED OR LOANED OUT IN NEW PRODUCTIVE ACTIVITIES WHICH WILL YIELD GREATER EARNING THAN APPROXIMATE 7 PERCENT ANNUAL COST OF CREDIT. THUS IMPORTERS WOULD NOT HAVE REASON TO PASS ON INCREASED COST OF IMPORTS TO CONSUMERS (SIC). BETPS OFFICIAL SAID ONLY ESSENTIAL IMPORTS WILL BE AUTHORIZED AND ADMITTED THAT SOME SMALL COMPANIES WHICH FIND IT DIFFICULT TO OBTAIN CREDIT MAY HAVE TO FOLD BUT IT MORE IMPORTANT KEEP ECONOMY STABLE UNTIL MAJOR COPPER AND OIL DEPOSITS BRING IN ADDITIONAL EXCHANGE EARNINGS.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LIMA 04479 062245Z

4. COMMENT: PETPS OFFICIAL'S VIEWS MIRROR THOSE OF MARCO DEL PONT, WHO HAD PREVIOUSLY TOLD THE AMBASSADOR THAT GOP DID NOT POSSESS ADEQUATE DATA ON POTENTIAL IMPORT COSTS FOR REST OF YEAR AND WOULD NECESSARILY HAVE TO STUDY PICTURE BEFORE MAKING ANY ADJUSTMENTS. MINISTER ALSO SAID THAT IT WAS ESSENTIAL HALT IMPORTS ACROSS THE BOARD, EVEN IF SOME INEQUITIES OCCURED, RATHER THAN RISK SERIOUS BALANCE OF PAYMENTS PROBLEM.

WHILE IT TOO EARLY TO PREDICT OUTCOME OF MINISTERS'
MEETING, COMMERCE MINISTRY HAS BEEN ANGERED BY
HIGH-HANDED MANNER IN WHICH MEF (PROBABLY WITH SUPPORT
FROM CENTRAL BANK) IMPOSED REGULATIONS AND AT THE LEAST
WANTS AN AIRING IF FOR NO OTHER REASON THAN TO AVOID
BLAME SHOULD ECONOMIC "CURE" CAUSE GREATER PROBLEMS
FOR THE PATIENT THAN THE ORIGINAL AILMENT. IF POSSIBLE
SOME LIBERALIZATION MAY EVENTUALLY BE PERMITTED, IF
IMPORTS COSTS FINALLY NOT PERCEIVED AS THREAT TO
OVERALL BALANCE OF PAYMENTS POSITION.
DEAN

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, COSTS, IMPORT CONTROLS, CREDIT CONTROLS, MEETINGS, IMPORT DATA, BALANCE OF PAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 06 JUN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: smithrj
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LIMA04479
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: DG ALTERED
Executive Order: GS
Errors: N/A
Film Number: D740144-0777
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740669/aaaachwb.tel
Line Count: 126
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION COME
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: LIMA 4120, 4095, 4093, 3824, STATE 1, 07357
Review Action: RELEASED, APPROVED
Review Authority: smithrj
Review Comment: n/a
Review Content Flags:
Review Date: 19 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 SEP 2002 by rowelle0>; APPROVED <14 FEB 2003 by smithrj>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COMMERCE MINISTER QUESTIONS STRICT IMPORT REGULATIONS
TAGS: ETRD, BEXP, PE, (DEL PONT, MARCO)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005